

19

# Nonresident Withholding Waiver Request for Real Estate Sales

597-A

Please print or type

1 Name of transferor (seller) (if husband and wife, include both names on this line)		Social security no., California corporation no., F.E.I.N. or Secretary of State file no.
Transferor's (seller's) mailing address		Daytime telephone number (       )
City, state, and ZIP code (province, county, and postal zone)		
2 Names of all other transferors (sellers). (Attach additional sheets if more than one.)		Social security no., California corporation no., F.E.I.N. or Secretary of State file no.
Address (number and street including P.O. box or rural route)		Daytime telephone number (       )
City, state, and ZIP code (province, county, and postal zone)		
3 Name of transferee (buyer). (Attach additional sheets if more than one.)		Social security no., California corporation no., F.E.I.N. or Secretary of State file no.
Address (number and street including P.O. box or rural route)		
City, state, and ZIP code (province, county, and postal zone)		
4 Description of California real estate transaction:		
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>a</b> Date of close of escrow _____</p> <p><b>c</b> Use of property at time of sale:      <input type="checkbox"/> Rental or commercial      <input type="checkbox"/> Secondary/vacation home      <input type="checkbox"/> Other (Attach explanation)</p> <p style="margin-left: 20px;">If rented during ownership, length of time rented:    years _____    months _____</p> <p><b>d</b> Adjusted basis computation:</p> <p>Purchase price            \$ _____</p> <p>Add: Improvements      _____</p> <p>Less: Depreciation        _____</p> <p>Adjusted basis            \$ _____</p> </div> <div style="width: 45%;"> <p><b>b</b> Contract price (total sales price) \$ _____</p> <p><b>e</b> Date purchased _____</p> </div> </div> <p><b>f</b> Property address (if no street address, provide parcel number and county) _____</p>		
5 Name of escrow company		Daytime telephone number (       )
Address (number, street and city)		Fax number (       )
		Name of escrow officer
		Escrow number
6 State in detail your reason for requesting a withholding waiver (provide necessary documentation, i.e. purchase and sales escrow statements). Attach additional sheets if needed.		

Under penalties of perjury, I declare that I have examined this application and accompanying attachments, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title (if applicable)

Date

For Privacy Act Notice, See form FTB 1131 (individuals only).

**Do Not Use These Spaces:**

Codes:      T: \_\_\_\_\_      A: \_\_\_\_\_      F: \_\_\_\_\_      OR: \_\_\_\_\_

Amounts:    S: \$ \_\_\_\_\_      R: \$ \_\_\_\_\_      A: \$ \_\_\_\_\_

# Instructions for Form 597-A

## Nonresident Withholding Waiver Request for Real Estate Sales

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and the California Revenue and Taxation Code (R&TC).

### General Information

#### A Purpose of Form

Use Form 597-A to apply for a withholding waiver to reduce or eliminate withholding required under R&TC Section 18662, on dispositions of California real estate by nonresidents.

For more information on real estate withholding, get FTB Pub. 1016, Nonresident Withholding — Real Estate Guidelines. To get a withholding publication, contact the Franchise Tax Board (FTB), Withhold at Source Unit at (916) 845-4900.

#### B What is Real Estate Withholding

Real estate withholding:

- is a prepayment of the amount of tax due from the gain on the sale of California real estate;
- is not an additional tax on the sale of real estate;
- is primarily intended to ensure that the tax owed on the taxable gain from the sale will be paid; and
- reduces the likelihood that the seller will be subject to penalties for underpayment of estimated tax.

Real estate withholding is similar to wage withholding. As with wage withholding, the amount withheld is claimed as a credit against the tax liability computed at the end of the taxable year. If the amount withheld is more than the tax liability, the difference will be refunded after the return is filed.

#### C Exceptions to Withholding

An automatic exemption from withholding will be granted if:

- the transferor (seller) is a resident of California or a corporation with a permanent place of business or qualified to do business in California;
- the sales price of the California real estate does not exceed \$100,000;
- the transferor (seller) is a partnership or limited liability company; or
- the real estate was the transferor's (seller's) principal residence, as defined by IRC Section 1034.

Do not use Form 597-A if you qualify for an automatic exemption. If you qualify for an automatic exemption, sign Form 590-RE, Nonresident Withholding Exemption Certificate for Real Estate Sales, and give it to the buyer.

#### D Who May File this Form

The transferor (seller) may file Form 597-A to apply for reduced withholding. R&TC Section 18662 includes provisions which authorize the FTB to grant reduced withholding or waivers from withholding on a case-by-case basis. Generally, reduced withholding or waivers from withholding may be granted when:

- the 3½ percent withholding exceeds the estimated California tax liability from the sale.

For example:

Selling Price: . . . . .	\$250,000
x Withholding Rate: . . . . .	3.33%
Withhold Amount: . . . . .	\$ 8,325
Gain on Sale: . . . . .	\$50,000
x Maximum Tax Rate: . . . . .	11%
Tax Liability: . . . . .	\$ 5,500

**Note:** The tax rate for corporations is 9.3%

- the transaction involves a tax-free exchange (as defined under IRC Section 1031), a foreclosure or an installment sale. Contact the FTB, Withhold at Source Unit at (916) 845-4900 to obtain the appropriate additional forms.
- the transaction involves multiple sellers, some of whom are nonresidents of California.

#### E When and Where to File this Form

The transferor (seller) should file Form 597-A as soon as the contract of sale is entered into. The FTB normally will act on an application within 45 days upon receipt of all information necessary to make a proper determination. The FTB will determine whether withholding should be eliminated or reduced, or whether a request for a withholding waiver should be denied.

If the transferor (seller) does not file Form 597-A timely with the FTB and title passes to the transferee (buyer) before the application can be processed, withholding of 3½ percent will be required. There is no provision to authorize an early refund after title has passed to the transferee (buyer) and the withholding has been remitted to the FTB.

Mail or FAX Form 597-A to:

**Franchise Tax Board  
Withhold at Source Unit  
Attn: Real Estate Withholding Waiver  
P.O. Box 651  
Sacramento, CA 95812-0651  
FAX number: (916) 845-4831**

Any withholding waiver issued by the FTB applies only for the limited purpose of determining the withholding obligation under R&TC Section 18662 and does not apply to any substantive issue that may arise in connection with the transfer. The acceptance of any evidence submitted with this application is not binding on the FTB for any purpose other than the withholding waiver.

If you receive a withholding waiver from the FTB which reduces the amount of withholding, you must attach a copy of the withholding waiver to Form 597.

### Specific Line Instructions

Read the following instructions carefully. Attach all required information to document your request to reduce or eliminate withholding. Failure to include all required information and documents may delay issuance of the withholding waiver or may result in a denial of the waiver request.

**Line 1** — Enter the name; address; social security no., California corporation no., federal employer identification no. or Secretary of State file no.;

and daytime telephone number of the transferor (seller). A husband and a wife can both be included on this line.

**Line 2** — Enter the name; address; and social security no., California corporation no., federal employer identification no. or Secretary of State file no. of the other transferors (sellers). If there are multiple transferors (sellers), attach additional sheets giving the required information about each one.

**Line 3** — Enter the name; address; and social security no., California corporation no., federal employer identification no. or Secretary of State file no. of the transferee (buyer). If there are multiple transferees (buyers), attach additional sheets giving the required information about each one.

**Line 4a through Line 4f** — Enter the appropriate information.

- Enter the date escrow closed, or if escrow has not closed, the estimated date escrow will close.
- Enter the contract price (total sales price).
- Check the appropriate box to indicate the use of the property at the time of sale. If used as a rental, state the period of time it was used for this purpose.
- Enter the adjusted basis of the property. The adjusted basis is the original purchase price, increased by improvements, additions and other capital improvements and decreased by allowed or allowable depreciation (if used as a rental or for business) and any gains deferred under IRC Sections 1031 and 1034.  
**Note:** Additional mortgages, in and of themselves, on the property do not increase your adjusted basis.
- Enter the date purchased. If acquired by a method other than purchase, please explain (attach additional sheets if necessary).
- Enter the property address, including city and zip code. If no street address is available, enter the parcel number and county.

**Line 5** — Enter the appropriate information for the escrow company. The FTB will fax a copy of the waiver directly to the escrow company if a fax number is provided.

**Line 6** — Provide sufficient detail and documentation to allow the FTB to make a determination. Documentation of the adjusted basis (i.e. purchase escrow statement and a schedule of improvements and depreciation) must be provided. For more information regarding appropriate documentation for common waiver requests, get FTB Pub. 1016A, Guidelines for Requesting a Waiver.

**Signature** — The application must be signed by the transferor(s) (seller(s)).